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Viewing cable 09BEIJING3295, CHINESE FIRM RE-THINKS AFGHAN MINING CONTRACT

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09BEIJING3295**.

Reference ID	Created	Released	Classification	Origin
09BEIJING3295	2009-12-10 10:35	2011-08-30 01:44	CONFIDENTIAL	Embassy Beijing

Appears in these articles:

<http://www.aftenposten.no/spesial/wikileaksdokumenter/article3992492.ece>

VZCZCXRO2385
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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 003295

SIPDIS

DEPT FOR EAP/CM AND S/SRAP

E.O. 12958: DECL: 12/09/2019

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AF, CH, PK

SUBJECT: CHINESE FIRM RE-THINKS AFGHAN MINING CONTRACT

AFTER DIFFICULTIES OF THE AYNAC COPPER MINE PROJECT

REF: (A) KABUL 3574 (B) BEIJING 2918 (C) KABUL 3101
Classified By: Economic Minister Counselor William Weinstein. Reasons
1.4 (b, d)

¶1. (C) Summary: China Metallurgical Group Corporation (MCC) President Shen Heting told a visiting U.S. delegation on November 12 that inefficiency and corruption in the Afghan government, security problems, and a lack of skilled Afghan workers had delayed work on the MCC's Aynak copper mine project. Shen asked for U.S. support in training Afghan National Police (ANP) deployed to protect the mine and insisted that the company would create jobs and carry out community projects. Highlighting the U.S. and China's shared interests in security and development in South Asia, Deputy Special Representative for Afghanistan and Pakistan Dan Feldman urged Shen to ensure MCC's investments in both countries contributed to economic stability in the region. Feldman emphasized the need for infrastructure development, anti-corruption measures, job creation and vocational training. End Summary.
Afghan Inefficiency, Security Concerns Slow Progress

¶2. (C) Shen explained the MCC won the Aynak copper mine tender among 6 bidders in 2007-8, and began construction on the mine in July 2009. He said MCC had encountered a number of difficulties that slowed progress on the project, including inefficiencies in the Afghan government, which Shen said had not honored its commitment to relocate a number of villages in the area, and security concerns. He also listed poor infrastructure, a shortage of skilled workers and lack of necessary supplies as other reasons for the slow pace of work. Citing the "low fighting capability" of the 1200 Afghan National Police (ANP) deployed to protect the Aynak copper mine (after the Government of Afghanistan had promised 1500 ANP guards), Shen requested U.S. assistance in providing them training and better weapons.
Chinese Government Urging MCC to Honor the Contract

¶3. (C) Despite the difficulties MCC faced in Aynak, Shen said the Chinese government gave the company "clear instructions" to honor its contract and keep to the original schedule. At the same time, MCC did not believe it could ask the Government of China to intervene with the Government of Afghanistan to request additional security forces. While MCC planned to train local laborers to work in the mine, it would recruit Chinese engineers for the jobs requiring university qualifications. Shen said existing roads would be sufficient to transport the copper from the mine and that construction of a railway from the mine to the Pakistan port of Gwadar was not economically justified. However, he reiterated that the Chinese government was urging the company to honor its commitments, suggesting that MCC might eventually build some railway. (Comment: MCC has never before been so blunt with us about the fact that it is state-owned. Shen's repeated references to state instructions likely were his way of absolving the company of proceeding with what he saw as an economically unsound project.)
MCC Having Second Thoughts About Hajigak Tender

¶4. (C) Although MCC was the leading bidder among the seven companies short-listed for the contract for the multi-billion dollar Hajigak iron ore mine in Bamyan, Shen said the company was "not prepared to move forward on the tender." He did not indicate that the company would withdraw its bid, but suggested the company was re-thinking its proposal given the many requirements and "difficult conditions" associated with the Hajigak project and MCC's experience with Aynak. He complained of rampant corruption among Afghan officials involved in mining tenders, commenting that MCC had encountered far fewer problems in carrying out two large-scale projects in Pakistan.
U.S. Urges MCC to Create Jobs, Promote Good Governance

15. (C) Deputy SRAP Feldman welcomed Chinese investments in Afghanistan and Pakistan and urged MCC to support regional stability by ensuring its projects created jobs and promoted good governance by eschewing corrupt practices. Noting that training of the ANP was central to the U.S. strategy in Afghanistan, Feldman encouraged MCC to contribute to Afghanistan's security and the security of the Aynak mine by providing financial assistance or in-kind support to the ANP. Shen replied that MCC was committed to using part of its total investment of USD 4.4 billion to improve the lives of the local population. He said MCC had plans to set up a training center near the Aynak copper mine and to hire as many Afghan workers as possible. The company hoped to begin work on community projects - including schools, hospitals and a mosque - by the end of this year.

HUNTSMAN